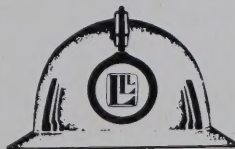


WILLROY MINES LIMITED



ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1969

ASSOCIATE



THE LITTLE LONG LAC GOLD MINES LIMITED

file

WILLROY MINES LIMITED

OFFICERS	J. C. L. ALLEN - - - - - <i>President</i> R. C. STANLEY, Jr. - - - - - <i>Vice-President</i> A. G. WILSON - - - - - <i>Secretary</i>
DIRECTORS	J. C. L. ALLEN P. A. ALLEN, P.Eng. J. D. BRYCE, P.Eng. P. K. HANLEY R. C. STANLEY, Jr.
MINE MANAGER	J. I. JARVIS, P.Eng.
TRANSFER AGENTS	Canada Permanent Trust Company, Toronto, Ontario
AUDITORS	McDonald, Currie & Co., Toronto, Ontario
EXECUTIVE OFFICE	Suite 400, 112 King Street West, Toronto, Ontario

FRONT COVER ILLUSTRATION

Photograph shows ore specimen of copper, lead and zinc — also contains silver and gold values.

WILLROY MINES LIMITED

400, 112 King Street West,
Toronto 1, Canada.

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and General Meeting of the Shareholders of Willroy Mines Limited (Willroy) will be held on Friday, the 9th day of May, 1969 at the hour of 10:45 o'clock in the forenoon (Kirkland Lake Time), at the Park Lane Hotel, Kirkland Lake, Ontario, for the following purposes:

- (1) to receive Reports, Financial Statements for the year ended December 31, 1968 and the Auditors' Report thereon;
- (2) to elect directors;
- (3) to appoint Auditors and authorize the directors to fix their remuneration;
- (4) to consider and, if thought fit, to approve, ratify, sanction and confirm the execution and delivery on behalf of Willroy of a certain Agreement (Willroy Sale Agreement) dated as of the 10th day of April, 1969, between Willroy of the first part and Lun-Echo Gold Mines Limited (Lun-Echo) of the second part, providing for the sale to Willroy by Lun-Echo of 1,500,000 shares of Willecho Mines Limited. Attached hereto and forming part hereof is an Information Circular to which a copy of the Willroy Sale Agreement is attached as Exhibit One;
- (5) to authorize the directors and/or proper officers of Willroy to execute such documents and take such other action as in their opinion may be necessary or desirable to carry out the provisions of the Willroy Sale Agreement;
- (6) to consider and, if thought fit, to confirm a resolution passed by the Directors on the 10th day of April, 1969, as Special Resolution Number Two of Willroy, to decrease the issued capital of Willroy from \$4,284,844 to \$2,789,827 by cancelling the discount now existing on the shares without par value of Willroy. A copy of said resolution is attached to the Information Circular as Exhibit Two;
- (7) to transact such other business as may properly come before the Meeting or any adjournment thereof.

A copy of the Reports and Financial Statements to be submitted to such Meeting are forwarded herewith.

The Information Circular also contains Financial Statements and other data with respect to the foregoing.

Directors of Willroy are interested in the Willroy Sale Agreement in that Messrs. J. C. L. Allen, P. A. Allen, J. D. Bryce, P. K. Hanley and R. C. Stanley, Jr., being all the directors of Willroy, are directors and/or officers of Lun-Echo.

Shareholders who do not intend to be present at the Meeting are requested to complete and return the enclosed form of proxy.

By authority of a resolution of the Board of Directors of Willroy, instruments appointing nominees to be used at such Meeting must be deposited with the Secretary of Willroy or its agent, Canada Permanent Trust Company, 1901 Yonge Street, Toronto 7, Canada, at least 48 hours preceding the time of the said Meeting.

DATED this 10th day of April, 1969.

By Order of the Board,

A. G. WILSON,
Secretary.

WILLROY MINES LIMITED

INFORMATION CIRCULAR

for

Annual and General Meeting of Shareholders to be held May 9, 1969.

This Information Circular accompanies Notice of the Annual and General Meeting of the Shareholders of Willroy Mines Limited (Willroy) to be held May 9, 1969 and is furnished in connection with the solicitation by the Management of Willroy of proxies for use at said Meeting. The costs of such solicitation will be borne by Willroy. It is planned that the solicitation will be initially by mail but proxies may also be solicited by regular employees of Willroy.

A proxy in the form enclosed with the Notice of Meeting (a) confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting; and (b) may be revoked at any time before it is exercised. The shares represented by such a proxy will be voted and, where a choice is specified, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY ENCLOSED WITH THE NOTICE OF MEETING. SUCH RIGHT MAY BE EXERCISED BY FILLING IN THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN SUCH FORM OF PROXY.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are 4,286,244 shares without par value of Willroy outstanding, each of which entitles the registered holder to one vote at any meeting of shareholders.

Only shareholders of record on May 9, 1969, the date of the Meeting, are entitled to vote thereat. Those shareholders desiring to be represented at the said Meeting by a nominee must deposit their proxies with the Secretary of Willroy or its agent, Canada Permanent Trust Company, 1901 Yonge Street, Toronto 7, Canada, not less than 48 hours preceding the time of the said Meeting.

The directors and senior officers of Willroy have been informed that:— (1) Lake Shore Mines, Limited owns directly or indirectly 860,291 shares of Willroy, being approximately 20.1% of the outstanding shares of Willroy; (2) Wright-Hargreaves Mines, Limited owns directly or indirectly 468,701 shares of Willroy, being approximately 10.9% of the outstanding shares of Willroy; and (3) Malartic Gold Fields (Quebec) Limited (No Personal Liability) owns directly or indirectly 466,909 shares of Willroy, being approximately 10.9% of the outstanding shares of Willroy.

ELECTION OF DIRECTORS

The Management of Willroy proposes to nominate the persons listed below for election as directors of Willroy, to serve until the next annual meeting of the shareholders of Willroy or until their successors

are duly elected or appointed, unless any such person is unable to act as a director, in which event a substitute may be nominated by the Management of Willroy:—

<u>Name of Proposed Nominee</u>	<u>Other Positions and Offices with Willroy</u>	<u>Period Served as a Director of Willroy</u>	<u>Principal Occupation or Employment</u>
John C. L. Allen	President	since 1966	President, John C. L. Allen Limited, Stockbrokers.
Robert C. Stanley, Jr.	Vice-President	since 1966	Executive Vice-President, The Little Long Lac Gold Mines Limited.
Peter K. Hanley	none	since 1966	A Vice-President of John C. L. Allen Limited, Stockbrokers.
Peter A. Allen	none	since 1966	A Vice-President of John C. L. Allen Limited, Stockbrokers.
John D. Bryce	none	since 1966	President, Macassa Gold Mines, Limited.

Each of the above proposed nominees reports that he is the registered holder of one share of Willroy but is not the beneficial owner of any shares of Willroy.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by Willroy to the directors and the senior officers of Willroy (including the five highest paid employees) during Willroy's last completed financial year was:—

Directors and Officers	\$ 6,000
Mine Employees	73,144
Total	<u>\$ 79,144</u>

Since the commencement of Willroy's last completed financial year, the senior officers, as a group, exercised options to purchase shares of Willroy, as follows:—

<u>Number of Shares Purchased Under Option</u>	<u>Price</u>	<u>Date of Purchase</u>	<u>Price Range of Shares of Willroy for the Calendar Quarter January 1, 1969 to March 31, 1969 During Which Options were Exercised</u>	
			HIGH	LOW
3,000	80¢	January 14, 1969	\$1.18	\$.88
3,000	80¢	February 27, 1969		

MANAGEMENT CONTRACTS

Willroy has entered into an arrangement with The Little Long Lac Gold Mines Limited, Room 400, 112 King Street West, Toronto 1, Ontario, whereby Willroy pays to Little Long Lac a management fee of \$4,500 per month for managerial, engineering and secretarial services and head office accommodation provided by Little Long Lac to Willroy. Willroy paid Little Long Lac \$67,500 for management services during the 15 month period since the commencement of Willroy's last completed financial year.

The following are the names and addresses of "Insiders" of The Little Long Lac Gold Mines Limited as defined in The Securities Act, 1966 (Ontario):— Lun-Echo Gold Mines Limited, John Charles Leighton Allen, Peter Ackerman Allen, John Douglas Bryce, Dominic Mathew Giachino, Peter Keith Hanley, Donald Murray Lorimer, Augustus George Wilson, all of Room 400, 112 King Street West, Toronto, Ontario; and Robert Crooks Stanley, Jr., 578 Navesink River Road, Mounted Route #1, Red Bank, New Jersey, U.S.A.

APPOINTMENT OF AUDITORS

The Management of Willroy proposes to move the appointment of McDonald, Currie & Co., Willroy's present auditors, as auditors of Willroy.

SALE BY LUN-ECHO GOLD MINES LIMITED OF 1,500,000 SHARES OF WILLECHO MINES LIMITED TO WILLROY MINES LIMITED

The Agreement (Willroy Sale Agreement) dated as of April 10, 1969 between Willroy and Lun-Echo Gold Mines Limited (Lun-Echo) (a copy of which is attached hereto as Exhibit One), the execution and delivery of which is subject to the approval of the shareholders of each of Willroy and Lun-Echo, provides for the sale by Lun-Echo to Willroy of 1,500,000 shares of Willecho Mines Limited (Willecho) in consideration of the allotment and issue of 500,000 fully paid and non-assessable shares of Willroy to Lun-Echo.

BASIS OF DETERMINING PURCHASE PRICE FOR SHARES OF WILLECHO

The negotiations between Willroy and Lun-Echo with respect to the sale of the 1,500,000 shares of Willecho by Lun-Echo to Willroy were concluded shortly before the public announcement of the proposed transaction was made on April 10, 1969. The closing price of Willroy shares on The Toronto Stock Exchange on April 10, 1969 was 92¢, and the market price of Willroy shares during 1969 to that date ranged from a high of \$1.18 to a low of 88¢.

The directors of Willroy and Lun-Echo estimate that the fair valuation of the undertaking, property and assets of Willroy is in excess of the market price of Willroy's shares. There is no market price for Willecho shares. The value attributed to the 500,000 shares of Willroy is approximately \$1.37 per share and is based on the net equity value of the Willecho shares to be received in consideration therefore. In the circumstances, the directors of both Willroy and Lun-Echo, bearing in mind with respect to both Willroy and Willecho current and estimated future earnings, outstanding liabilities, growth possibilities and sources of income, and nature, variety and value of assets, as well as the market price of the Willroy shares, are of the opinion that the consideration (500,000 shares of Willroy) payable by Willroy to Lun-Echo for the 1,500,000 shares of Willecho to be sold by Lun-Echo, is fair and reasonable.

PURPOSE AND ADVANTAGE OF THE TRANSACTION

The primary reason for the transaction is to eliminate the existing divided ownership of Willecho (50% owned by Willroy and 50% owned by Lun-Echo) and put the entire ownership of Willecho in the hands of one company, Willroy. This will permit the most efficient overall mining cycle to be carried out at the Willroy and Willecho mines as there would no longer be any outside ownership requiring either mine to be mined other than by the most efficient mining methods and practices. In addition, administrative efficiencies will occur through having the Willecho mine wholly owned by Willroy.

WILLROY MINES LIMITED

Willroy is the Company continuing from the amalgamation in June, 1966 of Willroy Mines Limited and Norlartic Mines Limited under the laws of the Province of Ontario. Willroy has an authorized capital of 6,000,000 shares without par value of which 4,286,244 shares are issued and outstanding. The directors of Willroy granted in November, 1967 to certain mine employees of Willroy options to purchase in the aggregate 80,000 shares of Willroy at the price of 80¢ per share exercisable on or before November 17, 1972. There are 64,000 shares of Willroy still subject to such options.

Willroy owns and operates a copper-zinc-silver-lead mine in the Manitouwadge area of Ontario which was brought into production in 1957. Willroy's mine property consists of 30 patented mining claims and 3 licences of occupation. Willroy employs approximately 250 men, (many of whom are employed on the Willecho property), has a complete mining and milling plant, owns 89 housing units located in the Town of Manitouwadge and on the Willroy property and has bunkhouses, cookhouse, etc., for single men at the mine. In addition, 30 men are employed from independent contractors by Willroy for various duties.

Willroy's copper concentrate produced at its mill is treated at the smelter of Noranda Mines Limited at Noranda, Quebec, and the resulting copper is sold by Noranda as part of its pooled sales of copper and subsequently accounted for by Noranda to Willroy. Zinc concentrates are shipped to Sherbrooke Metallurgical Company at Port Maitland, Ontario. Lead concentrates are shipped to the American Smelting and Refining Company smelter at East Helena, Montana, U.S.A.

At December 31, 1968, the total broken, proven and indicated ore reserves at the Willroy mine were 261,869 tons grading 1.58% copper, 2.31% zinc and 0.77 ounces of silver per ton.

The rated capacity of Willroy's mill is 1,700 tons per day. During the first two months of 1969, the mill has been treating ore at a daily rate of approximately 1,460 tons, consisting of 400 tons of Willroy's own ore, and 985 tons of copper-zinc-silver ore from the nearby property of Willecho and 75 tons (development ore) from the property of Big Nama Creek Mines Limited (Nama Creek). (See below for further information concerning Willecho and the property of Nama Creek.)

Production from the Willroy mine during the five years ended December 31, 1968 has been as follows:

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Tons Milled	530,151	293,989	219,400	165,053	174,336
Tons Milled per day	1,448	805	601	452	476
Copper %	1.13	0.79	0.60	0.66	0.96
Zinc %	3.33	4.25	2.80	3.33	2.10
Silver Ounces per ton	1.37	1.84	2.03	1.25	0.77
Metal Content of Concentrates					
Copper — pounds	10,680,510	3,898,841	2,250,136	1,866,746	2,564,183
Zinc — pounds	30,705,848	22,328,975	10,696,766	9,063,632	5,819,001
Lead — pounds	643,839	1,238,193	852,574	330,446	192,722
Silver — oz.	512,804	365,575	311,003	114,431	71,898
Gold — oz.	1,246	487	429	325	262

Pursuant to an Agreement dated July 2, 1963, made by Willroy with Nama Creek, Willroy leased the Nama Creek property, which lies adjacent to the Willroy property for a period of 20 years from July 2, 1963 in consideration of certain mining work to be carried out on the Nama Creek property by Willroy at a yearly rental equal to 50% of the net profits derived from operations on the Nama Creek property after all moneys expended by Willroy in bringing the property into production are repaid to Willroy out of first earnings of such production. A minimum amount of \$25,000 must be expended by Willroy annually in preparing such property for production in order to keep the lease in good standing. On completion of the surface installations in mid 1968 underground development of the ore body on the Nama Creek Property was begun and is continuing with expectations that production will commence in the summer of 1969 treating approximately 10,000 tons of ore per month. Ore reserves at January 1, 1969 were calculated at 453,039 tons to a depth of 300 feet grading 1.01% copper, 3.90% zinc and 0.84 ounces of silver per ton.

Norlartic Mines Limited, which was one of the companies which amalgamated to form Willroy in June, 1966, owned a producing gold mine located on a 1,049 acre property in Vassan and Malartic Townships in the Malartic area of the Province of Quebec at the date of the amalgamation. Mining operations were suspended in November, 1966, as mining costs made the continued operation of the Norlartic mine uneconomic at the present price of gold. The property continues to be held by Willroy.

The predecessor company of Willroy, Willroy Mines Limited, commenced payment of dividends in 1963 when a single dividend of 5¢ per share was paid; 8¢ per share was paid in 1964; 9¢ per share was paid in 1965 by way of three dividends of 3¢ each. In 1966 prior to the amalgamation, a dividend of 6¢ per share was paid by the predecessor company and after the amalgamation, 3¢ per share was paid by Willroy. A dividend of 3¢ per share was paid by Willroy in 1967.

Willroy earned a net profit for the year 1968 of \$136,406. In the year 1967, Willroy had a net loss of \$222,726.

From May 26, 1966 to April 10, 1969, the market price of Willroy's shares on The Toronto Stock Exchange ranged from a high of \$1.68 to a low of \$.72 as follows:

	HIGH	LOW
1969 (to April 10)	\$ 1.18	\$.88
1968	1.15	.80
1967	1.34	.72
1966 (May 26-December 31)	1.68	1.15

Willroy holds substantial interests in the following companies as shown below:

WILLECHO MINES LIMITED

Willroy owns 1,500,000 shares of Willecho, being 50% of its issued shares. See below for further information on Willecho.

SLIMLAKE MINES LIMITED

As at April 10, 1969, Willroy owned 1,053,249 shares of Slimlake, being 46.9% of the issued shares of that Company. Slimlake owns a copper-zinc prospect in the Manitouwadge area adjacent to the Willroy property. During the year 1968, an exploration drive from the Willroy mine at the 2600' level was continued and at December 31, 1968 was 2,239' into the Slimlake property. The drive was continued in 1969 and the target area was reached in February. A programme of exploratory diamond drilling is now underway and will be continued in 1969.

WILLECHO MINES LIMITED

Willecho owns and operates a copper-zinc-silver mine in the Manitouwadge area near the Willroy mine, which was officially brought into production on January 1, 1965. Between 1963 and June 30, 1965 Willroy advanced the aggregate amount of \$3,002,000 to Willecho to provide the funds necessary to bring its property into production. Willroy now mills approximately 985 tons per day of Willecho ore. At December 31, 1968 estimated proven and indicated ore reserves of Willecho were 985,498 tons grading 0.54% copper, 4.57% zinc and 1.75 ounces silver per ton. During 1968 Willecho produced 2,523,133 pounds copper, 18,707,664 pounds zinc and the gross value of all concentrates produced was \$4,323,102. As at December 31, 1968, Willecho was still indebted to Willroy in the amount of \$1,557,425 for moneys advanced to bring its property into production. Willecho is also indebted to Willroy in the amount of \$409,583 for moneys advanced by Willroy to permit Willecho to erect houses and other accommodation for Willecho workers, this amount is secured by a first mortgage due October 7, 1969 bearing interest at the rate of 7¼% per annum. The milling of Willecho's ore is carried out by Willroy at Willroy's cost together with a cost element allowance for the use of Willroy's mill, calculated at the rate of 8% per annum of the original book value of Willroy's mill, pursuant to an Agreement dated February 1, 1964, made between Lun-Echo, Willroy and Willecho.

Production from the Willecho Mine during the four years ended December 31, 1968 has been as follows:

	1965	1966	1967	1968
Tons Milled	283,259	325,738	338,437	346,444
Tons Milled per day	776	892	927	949
Copper %	0.60	0.63	0.58	0.44
Zinc %	4.16	3.89	3.52	3.43
Silver Ounces per ton	1.73	1.79	1.91	2.15
Metal Content of Concentrates				
Copper pounds	2,848,985	3,541,349	3,341,132	2,523,133
Zinc pounds	21,060,520	22,078,863	19,594,001	18,707,664
Lead pounds	763,742	1,271,554	1,128,514	1,248,894
Silver oz.	318,890	391,567	359,992	402,680
Gold oz.	477	648	673	526

There is no market price for the Willecho shares. Willecho has no investments and has never declared a dividend. The net earnings of Willecho for 1967 were \$201,843. In 1968 Willecho had a net loss of \$141,807.

INTERLOCKING INTERESTS OF DIRECTORS AND OFFICERS

The following table discloses the interest of each director and officer of Willroy, Lun-Echo and Willecho in those companies:

<u>NAME</u>	<u>WILLROY</u>	<u>LUN-ECHO</u>	<u>WILLECHO</u>
John Charles Leighton Allen	Director President	Director	Director
Peter Ackerman Allen	Director	Director	Director
John Douglas Bryce	Director	Director	—
Dominic Mathew Giachino	—	—	Director Secretary- Treasurer
Peter Keith Hanley	Director	Director Vice-President	Director Vice-President
Donald Murray Lorimer	Comptroller	Comptroller	Comptroller
Robert Crooks Stanley, Jr.	Director Vice-President	Director President	Director President
Augustus George Wilson	Secretary	Secretary	—

None of the above mentioned directors and officers beneficially own any shares of Willroy, Lun-Echo or Willecho.

John Charles Leighton Allen, Peter Ackerman Allen, John Douglas Bryce, Peter Keith Hanley and Robert Crooks Stanley, Jr., are each directors of Wright-Hargreaves Mines, Limited, Malartic Gold Fields (Quebec) Limited and Lake Shore Mines, Limited which companies together own in the aggregate 41.9% of Willroy's issued capital. Lake Shore Mines, Limited also owns 49.3% of Lun-Echo's issued capital and Willroy owns 22.6% of Lun-Echo's issued capital. Willroy and Lun-Echo each own 50% of Willecho's issued capital.

FINANCIAL STATEMENTS

The following financial statements are set out on pages 12 to 19 as appendices to this Circular:

- (1) Balance Sheet of Willroy as at December 31, 1968 and the Statements of Earnings and Retained Earnings and Source and Use of Funds for the year ended December 31, 1968, together with auditors' report thereon (in each case with comparative figures for 1967).
- (2) Balance Sheet of Willecho as at December 31, 1968 and the Statements of Earnings and Retained Earnings and Source and Use of Funds for the year ended December 31, 1968, together with auditors' report thereon (in each case with comparative figures for 1967).
- (3) Pro forma audited consolidated Balance Sheet of Willroy and its wholly owned subsidiary (Willecho) as at December 31, 1968, together with auditors' report thereon, reflecting the acquisition of 1,500,000 shares of Willecho from Lun-Echo as at that date.

SPECIAL RESOLUTION NUMBER TWO

The shareholders of Willroy will be asked to consider, and if thought fit, to confirm the resolution passed by the directors of Willroy on April 10, 1969, as Special Resolution Number Two of Willroy authorizing an application to the Lieutenant Governor of the Province of Ontario for the issue of supplementary letters patent decreasing the issued capital of Willroy from \$4,284,844 to \$2,789,827 by cancelling the amount of the discount on the issue of the 4,286,244 issued shares without par value of Willroy, viz. \$1,495,017.

The purpose of the Special Resolution is to eliminate the existing discount on the shares without par value in the capital of the Company which originally was attached to the shares of the predecessor companies of Willroy and was carried forward on their amalgamation.

OTHER BUSINESS

The Management of Willroy knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if matters not now known to the Management should come before the Meeting, shares represented by proxies solicited by the Management will be voted on each such matter in accordance with the best judgment of the nominee voting such shares.

On Behalf of the Board,

A. G. WILSON,
Secretary.

April 10, 1969.

EXHIBIT ONE

WILLROY SALE AGREEMENT

THIS AGREEMENT dated as of the 10th day of April, 1969,

BETWEEN :

WILLROY MINES LIMITED, a company incorporated under the laws of Ontario and having its head office in the City of Toronto, in the said Province, (hereinafter called "Willroy"),

OF THE FIRST PART;

— and —

LUN-ECHO GOLD MINES LIMITED, a company incorporated under the laws of the Province of Ontario and having its head office in the City of Toronto, in the said Province, (hereinafter called "Lun-Echo"),

OF THE SECOND PART.

WITNESSETH:

1. SALE BY LUN-ECHO TO WILLROY

Upon and subject to the terms and conditions herein set forth Willroy agrees to purchase from Lun-Echo and Lun-Echo agrees to sell to Willroy 1,500,000 shares of the capital of Willecho Mines Limited (hereinafter called "Willecho"); the consideration for the said sale to be the allotment and issue by Willroy to Lun-Echo of 500,000 fully paid and non-assessable shares without par value in the capital of Willroy.

2. AGREEMENT CONDITIONAL UPON CERTAIN EVENTS

This Agreement shall be null and void of no force and effect unless prior to the time of Closing the shareholders of each of Willroy and Lun-Echo have duly approved the execution and delivery of this Agreement by Willroy and Lun-Echo respectively at general meetings of shareholders of Willroy and Lun-Echo duly called for such purpose.

3. OTHER CONDITIONS

(a) The obligation of Lun-Echo to complete the sale provided for in paragraph 1 hereof is subject to the following conditions:

(1) that Willroy at the time of Closing will be a valid and subsisting company under the laws of the Province of Ontario and that the allotment and issue of shares of its capital as provided for in paragraph 1 hereof shall have been duly authorized;

(2) that Willroy at the time of Closing will have an authorized capital consisting of 6,000,000 shares without par value of which not more than 4,350,244 shares will then be issued and outstanding as fully paid and non-assessable;

(3) that at the time of Closing Willroy will not be under any obligation, absolute or contingent, to issue any shares of its capital except under paragraph 1 hereof and under options granted to employees of Willroy to purchase an aggregate of 64,000 shares at the price of 80¢ per share on or before November 17, 1972;

(4) that the audited balance sheet of Willroy as at December 31, 1968, as reported upon by Messrs. McDonald, Currie & Co., (a copy of which has been delivered to Lun-Echo) is true and correct and fairly sets forth the financial position of Willroy as at that date;

(5) that Willroy shall have carried on its business during the period from December 31, 1968 to the time of Closing in the ordinary course and that during said period no happening, event or change materially adversely affecting the business or financial condition of Willroy shall have occurred;

(6) that during the period from December 31, 1968 to the time of Closing Willroy shall not have declared any dividends or authorized any other distribution payable to shareholders of record as of a date prior to the time of Closing;

(7) that at the time of Closing there will not be any actions or proceedings of which Willroy is aware pending, threatened or proposed against or affecting Willroy which may materially adversely affect Willroy.

(b) The obligation of Willroy to complete the sale provided for in paragraph 1 hereof is subject to the following conditions:

(1) that at the time of Closing, Lun-Echo will be a valid and subsisting company under the laws of the Province of Ontario;

(2) that immediately prior to the time of Closing, Lun-Echo will have good title, free of encumbrance, to the said 1,500,000 shares of Willecho agreed to be sold by it under paragraph 1 hereof;

(3) that at the time of Closing, Willecho will be a valid and subsisting company under the laws of the Province of Ontario;

(4) that at the time of Closing, Willecho will have an authorized capital consisting of 3,000,000 shares with a par value of \$1 each, all of which will then be issued and outstanding as fully paid and non-assessable;

(5) that at the time of Closing, Willecho will not have any obligation, absolute or contingent, to increase its authorized capital and/or to issue any shares of its capital;

(6) that the audited balance sheet of Willecho as at December 31, 1968, as reported upon by Messrs. McDonald, Currie & Co., (a copy of which has been delivered to Willroy), is true and correct and fairly sets forth the financial position of Willecho as at that date.

(7) that Willecho shall have carried on its business during the period from December 31, 1968 to the time of Closing in the ordinary course and that during said period no event materially adversely affecting the business or financial condition of Willecho shall have occurred;

(8) that during the period from December 31, 1968 to the time of Closing Willecho shall not have declared any dividends or authorized any other distribution payable to shareholders of record as of a date prior to the time of Closing;

(9) that at the time of Closing, Willecho will have good title, free of encumbrances, to all the property and assets owned by it as at December 31, 1968, subject to

(i) a first mortgage in favour of Willroy in the principal amount of \$450,000 of which \$409,583 was outstanding on December 31, 1968, bearing interest at the rate of 7¼% per annum, due October 7, 1969, securing certain lands in the Improvement District of Manitouwadge in the District of Thunder Bay, Ontario, on which are erected employee dwellings;

(ii) easements, right-of-way or other minor encumbrances which do not materially impair the use of the assets affected thereby for the purpose for which they are being used; and

(iii) the terms and provisions of leases and licences to which Willecho is a party;

(10) that at the time of Closing there will not be any actions or proceedings of which Lun-Echo is aware pending, threatened or proposed against or affecting Willecho which may materially adversely affect Willecho.

(c) Each condition set forth in this paragraph 3 is for the exclusive benefit of the party whose obligation is stated to be subject to that condition and may be waived by that party in whole or in part. If any such condition is not satisfied at or before the time of Closing or is not waived as above mentioned then this Agreement shall be null and void and of no force or effect.

(d) The parties hereto agree to co-operate with each other so as to facilitate each of them in making such investigations as may be reasonably required to enable each party to satisfy itself as to the fulfilment of the conditions to which its obligations are subject. If the sale herein provided for is not completed for any reason, any information so obtained by either party in the course of such investigations shall be treated as confidential.

4. CLOSING

The Closing shall take place at the offices of Willroy, 400, 112 King Street West, Toronto, Ontario, at 11 a.m. (Toronto Time) on the 16th day of May, 1969 or such earlier or later date as may be agreed upon.

5. FURTHER ASSURANCES

Lun-Echo agrees that it will execute and do at the expense of Willroy all conveyances, deeds, assurances and things as Willroy may reasonably require for the better vesting in Willroy of the 1,500,000 shares of Willecho to be acquired by Willroy from Lun-Echo hereunder.

6. MISCELLANEOUS

- (a) Time shall be of the essence of this Agreement.
- (b) Any notice or other communication which either party may desire to give to the other party hereunder shall be deemed to have been given twenty-four hours after same is mailed in Toronto, Ontario, by prepaid registered mail addressed to such other party at its office in Toronto, Ontario.
- (c) Willroy and Lun-Echo may each by resolution of their respective board of directors assent to any alteration or modification of this Agreement which the shareholders of Willroy and Lun-Echo respectively at general meetings called to consider this Agreement may direct or approve.
- (d) This Agreement supersedes all prior negotiations, arrangements and communications between the parties hereto regarding the subject matter hereof and contains the entire agreement between the parties with respect thereto.
- (e) No party hereto may assign its rights hereunder without the written consent of the other.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

WILLROY MINES LIMITED

By "J. C. L. Allen"

President

Corporate Seal

And "A. G. Wilson"

Secretary

LUN-ECHO GOLD MINES LIMITED

By "R. C. Stanley, Jr."

President

Corporate Seal

And "A. G. Wilson"

Secretary

EXHIBIT TWO

WILLROY MINES LIMITED

Special Resolution Number Two

NOW THEREFORE BE IT RESOLVED as Special Resolution Number Two of Willroy Mines Limited as follows:

1. That the Company be and it is hereby authorized to make application to the Lieutenant Governor of the Province of Ontario for the issue of supplementary letters patent decreasing the issued capital of the Company from \$4,284,844 to \$2,789,827 by cancelling the amount of the discount on the issue of the 4,286,244 issued shares without par value of the Company, viz:—\$1,495,017.
2. The Directors and/or proper officers of the Company be and they are hereby authorized and directed on behalf of the Company to sign and execute all documents and do all things necessary or advisable in connection with the foregoing.

PASSED by the Directors this 10th day of April, 1969.

"A. G. WILSON"

Secretary

"J. C. L. ALLEN"

President

Corporate Seal

WILLROY MINES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

	1968 \$	1967 \$
Current Assets		
Cash and short-term deposits	208,290	—
Settlements receivable and concentrates in transit — at estimated realizable value	1,261,099	1,835,280
Receivable under the Emergency Gold Mining Assistance Act	—	19,560
Accounts receivable	18,237	24,352
Due from associated company	56,734	56,734
Marketable securities — at cost (quoted market value 1967 — \$274,500)	—	290,209
Prepaid expenses	36,296	39,195
Materials and supplies — at cost	331,937	346,476
	<u>1,912,593</u>	<u>2,611,806</u>
Federal Special 5% Refundable Tax	5,521	19,238
Investments and Advances		
Shares and debentures of associated companies — at cost (notes 1 and 2)	847,611	680,632
7¼% mortgage receivable — Willecho Mines Limited	409,583	419,583
Advances to associated and other companies	2,054,182	1,650,366
	<u>3,311,376</u>	<u>2,750,581</u>
Fixed Assets — at cost		
Buildings, plant and equipment	7,600,729	7,566,557
Accumulated depreciation	7,190,735	7,056,419
	409,994	510,138
Mining properties	175,264	175,264
	<u>585,258</u>	<u>685,402</u>
Other Assets and Deferred Expenditure		
Development expenditure — at cost, less amounts written off	205,044	362,476
Railway spur line — at cost, less amounts recovered	27,407	41,857
	232,451	404,333
	<u>6,047,199</u>	<u>6,471,360</u>

LIABILITIES

	1968 \$	1967 \$
Current Liabilities		
Bank loan — secured	—	596,000
Bank overdraft	—	1,485
Accounts payable and accrued liabilities	365,919	337,380
Provision for taxes	8,000	2,428
Settlements payable — Willecho Mines Limited	250,176	267,122
	<u>624,095</u>	<u>1,204,415</u>
Long-Term Debt		
Mortgage loans on employees' residences	178,241	187,625

SHAREHOLDERS' EQUITY

Capital Stock (note 3)		
Authorized —		
6,000,000 shares without par value		
Issued —		
4,280,244 shares	4,280,044	4,279,244
Discount thereon	1,495,017	1,495,017
	<u>2,785,027</u>	<u>2,784,227</u>
Retained Earnings	2,459,836	2,295,093
	<u>5,244,863</u>	<u>5,079,320</u>
	<u>6,047,199</u>	<u>6,471,360</u>

Approved on behalf of the Board:

J. C. L. ALLEN, Director.

R. C. STANLEY, Jr., Director.

WILLROY MINES LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Year Ended December 31, 1968

	1968 \$	1967 \$
Revenue		
Base metal operations	2,039,327	2,177,458
Custom mailing operations	143,549	37,765
	<u>2,182,876</u>	<u>2,215,223</u>
Less: Marketing, smelting and refining charges	601,993	726,874
	<u>1,580,883</u>	<u>1,488,349</u>
Expenditure		
Development	31,359	38,976
Mining	629,047	722,890
Milling	216,366	222,388
Mine office administration and general	145,804	170,545
	<u>1,022,576</u>	<u>1,154,799</u>
Profit before the Following	<u>558,307</u>	<u>333,550</u>
Deduct:		
Head office administration and general	93,699	94,027
Interest — net	(9,453)	4,674
Provision for depreciation	188,831	222,394
Deferred development expenditures written off	174,336	235,007
Mining taxes	5,148	544
Outside exploration	—	33,558
	<u>452,561</u>	<u>590,204</u>
	<u>105,746</u>	<u>(256,654)</u>
Other Revenue		
Dividend income	5,362	9,076
Profit on disposal of assets		
Norlartic Division — net	25,298	24,852
	<u>30,660</u>	<u>33,928</u>
Net Earnings (Loss) for the Year	<u>136,406</u>	<u>(222,726)</u>
Retained Earnings — Beginning of Year	<u>2,295,093</u>	<u>2,664,568</u>
	<u>2,431,499</u>	<u>2,441,842</u>
Less: Dividends paid	—	128,377
(Gain) loss on sale of investments	(28,337)	18,372
	<u>(28,337)</u>	<u>146,749</u>
Retained Earnings — End of Year	<u>2,459,836</u>	<u>2,295,093</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Willroy Mines Limited as at December 31, 1968 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Toronto, February 28, 1969.

WILLROY MINES LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS For the Year Ended December 31, 1968

Source of Funds	1968 \$	1967 \$
Net earnings (loss) for the year	136,406	(222,726)
Charges not requiring cash outlay —		
Provision for depreciation	188,831	222,394
Deferred development expenditures written off	174,336	235,007
	<u>363,167</u>	<u>457,401</u>
	499,573	234,675
	800	—
Proceeds of issue of shares (note 3)	—	—
Proceeds of sale of fixed assets less amount included in profit on disposal of assets at shut-down Norlartic Division	—	47,048
Repayment of mortgages by Willecho Mines Limited	10,000	12,500
Recovery on railway spur line	14,450	15,800
Federal special refundable tax	13,717	(9,761)
Repayment of advances — net	—	65,469
Profit (loss) on sale of marketable investments	28,337	(18,372)
	<u>566,877</u>	<u>347,359</u>
Use of Funds		
Dividend paid	—	128,377
Development expenditure	16,903	88,728
Repayment of mortgage loans on employees' residences	9,384	91,396
Investment in shares of associated companies	166,979	80,999
Additions to fixed assets — net	88,688	42,806
Increase in advances — net	403,816	—
	<u>685,770</u>	<u>432,306</u>
Decrease in Working Capital	118,893	84,947
Working Capital — Beginning of Year	1,407,391	1,492,338
Working Capital — End of Year	<u>1,288,498</u>	<u>1,407,391</u>

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 1968

- The company's direct share (50%) of the 1968 loss of Willecho Mines Limited amounted to \$71,000 and its direct share of the undistributed accumulated earnings from date of acquisition to December 31, 1968 amounted to \$585,000. These amounts are not reflected in these statements.
- The investment in shares of associated companies includes marketable shares at a cost of \$524,574 which had a quoted market value of \$311,258 at December 31, 1968. This latter amount is not indicative of the value of these holdings which may be more or less than that indicated by market quotations.
- During the year an employee exercised his option to acquire 1,000 common shares of no par value for consideration of \$800. At December 31, 1968 there were outstanding options to employees to purchase 79,000 shares at \$0.80 per share expiring on November 17, 1972.
- The remuneration of directors and senior officers as defined by The Corporations Act amounted to \$79,144 in 1968, made up as follows:

	\$
Directors' and officers' remuneration	6,000
Salaries of mine personnel	<u>73,144</u>
	<u>79,144</u>

- Because of deductions permitted for tax purposes it is estimated that the Company has no liability for income taxes for the year.

WILLECHO MINES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

	1968 \$	1967 \$
Current Assets		
Cash	3,738	58
Settlements receivable and concentrates in transit	250,176	267,122
Prepaid expenses	574	1,072
	<u>254,488</u>	<u>268,252</u>
Federal Special 5% Refundable Tax	39,089	42,357
Fixed Assets — at cost		
Buildings and equipment	2,233,717	1,871,975
Apartment building — pledged as security for mortgage payable	440,406	440,406
	<u>2,674,123</u>	<u>2,312,381</u>
Accumulated depreciation	1,065,576	747,128
	<u>1,608,547</u>	<u>1,565,253</u>
Mining properties	100,000	100,000
	<u>1,708,547</u>	<u>1,665,253</u>
Other Assets and Deferred Expenditure		
Preproduction and development expenditure — at cost, less amounts written off	1,364,340	1,392,521
Incorporation expense	4,985	4,985
	<u>1,369,325</u>	<u>1,397,506</u>
	<u>3,371,449</u>	<u>3,373,368</u>

LIABILITIES

	1968 \$	1967 \$
Current Liabilities		
Accounts payable and accrued liabilities	28,948	42,241
Mortgage interest payable	5,417	1,683
Provision for mining taxes	—	8,500
Current portion of mortgage payable	10,000	10,000
	<u>44,365</u>	<u>62,424</u>
Mortgage Payable — 7¼% — to Willroy Mines Limited (note) — less current portion included above	399,583	409,583
Advance from Willroy Mines Limited	1,557,425	1,389,478

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized —		
3,000,000 shares with a par value of \$1 each		
Issued and fully paid —		
3,000,000 shares	3,000,000	3,000,000
Discount thereon	2,799,995	2,799,995
	<u>200,005</u>	<u>200,005</u>
Retained Earnings	1,170,071	1,311,878
	<u>1,370,076</u>	<u>1,511,883</u>
	<u>3,371,449</u>	<u>3,373,368</u>

NOTE:

The 7¼% mortgage payable is redeemable in October 1969 and an extension of this date is presently being negotiated.

Approved on behalf of the Board:

R. C. STANLEY, Jr., Director.

P. K. HANLEY, Director.

WILLECHO MINES LIMITED

STATEMENT OF EARNINGS AND RETAINED EARNINGS For the Year Ended December 31, 1968

	1968 \$	1967 \$
Revenue from Production	4,323,102	4,592,789
Less: Marketing, smelting and refining charges	1,452,026	1,526,773
	<u>2,871,076</u>	<u>3,066,016</u>
Other Revenue	32,322	—
	<u>2,903,398</u>	<u>3,066,016</u>
Expenditure		
Development	119,847	177,672
Mining	1,313,319	1,242,955
Milling	573,977	494,176
Mine office administration and general	379,933	380,716
	<u>2,387,076</u>	<u>2,295,519</u>
Profit before the Following	<u>516,322</u>	<u>770,497</u>
Deduct:		
Head office administration and general	34,476	19,976
Mortgage interest	30,229	30,914
Ontario mining tax	—	13,234
Preproduction and deferred development expenditures written off	272,435	230,452
Provision for depreciation	320,989	274,078
	<u>658,129</u>	<u>568,654</u>
Net (Loss) Earnings for the Year	(141,807)	201,843
Retained Earnings — Beginning of Year	<u>1,311,878</u>	<u>1,110,035</u>
Retained Earnings — End of Year	<u>1,170,071</u>	<u>1,311,878</u>

NOTE:

The remuneration of directors and senior officers as defined by The Corporations Act amounted to \$8,500.

WILLECHO MINES LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS For the Year Ended December 31, 1968

	1968 \$	1967 \$
Source of Funds		
Net (loss) earnings for the year	(141,807)	201,843
Charges not requiring cash outlay —		
Provision for depreciation	320,989	274,078
Preproduction and deferred development expenditures written off	272,435	230,452
	<u>451,617</u>	<u>706,373</u>
Federal special 5% refundable tax	3,268	—
Increase in advances from Willroy Mines Limited	167,947	—
	<u>622,832</u>	<u>706,373</u>
Use of Funds		
Federal special 5% refundable tax	—	21,197
Additions to fixed assets (net)	364,283	217,656
Deferred expenditures	244,254	300,873
Repayment of mortgage	10,000	12,500
Repayment of advances to Willroy Mines Limited	—	169,421
	<u>618,537</u>	<u>721,647</u>
Increase (Decrease) in Working Capital	4,295	(15,274)
Working Capital — Beginning of Year	205,828	221,102
Working Capital — End of Year	<u>210,123</u>	<u>205,828</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Willecho Mines Limited as at December 31, 1968 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, February 28, 1969.

McDONALD, CURRIE & CO.,
Chartered Accountants.

WILLROY MINES LIMITED

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1968 (note 1)

ASSETS		\$	\$
Current Assets			
Cash and short-term deposits		212,028	
Settlements receivable and concentrates in transit — at estimated realizable value		1,261,099	
Accounts receivable		12,820	
Due from associated company		56,734	
Prepaid expenses		36,870	
Materials and supplies — at cost		331,937	1,911,488
Federal Special 5% Refundable Tax			44,610
Investments and Advances			
Shares and debentures of associated companies (note 3)		747,611	
Advances to other companies		496,757	1,244,368
Fixed Assets — at cost			
Buildings, plant and equipment		10,274,852	
Accumulated depreciation		8,256,311	
		2,018,541	
Mining properties		275,264	2,293,805
Other Assets and Deferred Expenditure			
Preproduction and development expenditure — at cost, less amounts written off		1,569,384	
Railway spur line — at cost, less amounts recovered		27,407	
Incorporation expense		4,985	1,601,776
			<u>7,096,047</u>

LIABILITIES		\$	\$
Current Liabilities			
Accounts payable and accrued liabilities		394,867	
Provision for taxes		8,000	402,867
Long-Term Debt			
Mortgage loans on employees' residences			178,241
			<u>581,108</u>

SHAREHOLDERS' EQUITY				
Capital Stock (note 2)				
Authorized —				
6,000,000 shares without par value				
Issued —				
4,780,244 shares			3,470,065	
Retained Earnings — at December 31, 1968		2,459,836		
Portion of retained earnings of Willecho Mines Limited at				
December 31, 1968 attributable to Willroy Mines Limited		585,038	3,044,874	6,514,939
				<u>7,096,047</u>

Signed on behalf of the Board:

J. C. L. ALLEN, Director.

R. C. STANLEY, Jr., Director.

WILLROY MINES LIMITED

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET As at December 31, 1968

1. Pro Forma Transactions

The pro forma consolidated balance sheet gives effect as at December 31, 1968 to:

- (a) the application for the issue of supplementary letters patent decreasing the issued capital of the company by cancelling the discount of \$1,495,017 on the issued shares without par value of the company;
- (b) the issue under the terms of an agreement dated April 10, 1969 of 500,000 shares of capital stock to Lun-Echo Gold Mines Limited in consideration of 1,500,000 shares of Willecho Mines Limited. The value attributed to the 500,000 shares of Willroy is approximately \$1.37 per share and is based on the net equity value of the Willecho shares received in consideration therefore.
- (c) the consolidation of the accounts of Willecho Mines Limited now a wholly-owned subsidiary of Willroy Mines Limited.

2. Stock Options

The company has granted options to employees to purchase 79,000 shares at \$0.80 per share expiring on November 17, 1972.

3. Investments

The investment in shares of associated companies includes marketable shares at a cost of \$524,574 which had a quoted market value of \$311,258 at December 31, 1968. This latter amount is not indicative of the value of these holdings which may be more or less than that indicated by market quotations.

AUDITORS' REPORT TO THE DIRECTORS

We have examined the pro forma consolidated balance sheet of Willroy Mines Limited as at December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this pro forma consolidated balance sheet presents fairly the financial position of the company as at December 31, 1968, after giving effect to the transactions set forth in note 1, in accordance with generally accepted accounting principles.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Toronto, April 10, 1969.

WILLROY MINES LIMITED

INFORMATION CIRCULAR FOR Annual Meeting of Shareholders to be held March 24, 1970

This information circular accompanies Notice of the Annual Meeting of Shareholders of Willroy Mines Limited (the Company) to be held March 24, 1970 and is furnished in connection with the solicitation by the Management of the Company of proxies for use at such Meeting. The costs of such solicitation will be borne by the Company. It is planned that the solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Company.

A proxy in the form enclosed with the Notice of Meeting (a) confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting, and (b) may be revoked at any time before it is exercised. The shares represented by such a proxy will be voted at the Meeting.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY ENCLOSED WITH THE NOTICE OF MEETING. SUCH RIGHT MAY BE EXERCISED BY FILLING IN THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN SUCH FORM OF PROXY.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are 4,786,244 shares without par value of the Company outstanding, each of which entitles the registered holder to one vote at any meeting of shareholders.

Only shareholders of record on March 24, 1970, the date of the Meeting, are entitled to vote thereat. Those shareholders desiring to be represented at the said Meeting by a nominee must deposit their proxies with the Secretary of the Company or with its agent, Canada Permanent Trust Company, 1901 Yonge Street, Toronto, Ontario, not less than 48 hours preceding the time of the said Meeting.

The directors and senior officers of the Company have been informed that: (i) Malartic Gold Fields (Quebec) Limited (No Personal Liability) owns directly or indirectly 1,535,700 shares of the Company, being approximately 32.1% of the outstanding shares of the Company, and (ii) Lun-Echo Gold Mines Limited owns directly or indirectly 500,000 shares of the Company, being approximately 10.4% of the outstanding shares of the Company.

ELECTION OF DIRECTORS

The Management of the Company proposes to nominate the persons listed below for election as directors of the Company, to serve until the next annual meeting of the shareholders or until their successors are duly elected or appointed, unless any such person is not available to act as a director, in which event a substitute may be nominated by the Management of the Company:—

<u>Name of Proposed Nominee</u>	<u>Other Positions and Offices with Company</u>	<u>Period Served as a Director of Company</u>	<u>Principal Occupation or Employment</u>
John C. L. Allen	President	since 1966	President, The Little Long Lac Gold Mines Limited.
Robert C. Stanley, Jr.	Vice-President	since 1966	Executive Vice-President, The Little Long Lac Gold Mines Limited.
Peter K. Hanley	None	since 1966	A Vice-President of John C. L. Allen Limited, Stockbrokers.
Peter A. Allen	None	since 1966	President, John C. L. Allen Limited, Stockbrokers.
John D. Bryce	None	since 1966	President, Macassa Gold Mines, Limited.

Each of the above proposed nominees reports that he is the registered holder of one share of the Company but is not the beneficial owner of any shares of the Company.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company to the directors and the senior officers of the Company (including the five highest paid employees) during the Company's last completed financial year was:—

Directors and officers	\$ 17,000
Mine employees	79,845
Total	<u>\$ 96,845</u>

MANAGEMENT CONTRACTS

The Company has entered into an arrangement with The Little Long Lac Gold Mines Limited, Room 400, 112 King Street West, Toronto, Ontario, whereby the Company pays to Little Long Lac a management fee of \$4,500 per month for managerial, engineering and secretarial services and head office accommodation provided by Little Long Lac to the Company. The Company paid Little Long Lac \$58,500 for management services during the period from January 1, 1969 to January 1, 1970.

The following are the names and addresses of "Insiders" of The Little Long Lac Gold Mines Limited as defined in The Securities Act, 1966: — Lun-Echo Gold Mines Limited, John Charles Leighton Allen, Peter Ackerman Allen, John Douglas Bryce, Dominic Mathew Giachino, Peter Keith Hanley, Lyle Mervyn Sharpe and Augustus George Wilson, all of Room 400, 112 King Street West, Toronto, Ontario; and Robert Crooks Stanley, Jr., 578 Navesink River Road, Mounted Route #1, Red Bank, New Jersey, U.S.A.

APPOINTMENT OF AUDITORS

The Management of the Company proposes to move the appointment of Thorne, Gunn, Helliwell & Christenson, as auditors of the Company to replace McDonald, Currie & Co., the Company's present auditors.

OTHER BUSINESS

The Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to the Management should properly come before the Meeting, shares represented by proxies solicited by the Management will be voted on each such matter in accordance with the best judgment of the nominee voting same.

On behalf of the Board,

A. G. WILSON,
Secretary.

February 18, 1970.

WILLROY MINES LIMITED

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors are pleased to present the Annual Report and Financial Statements for the year ended December 31st, 1969, together with the Auditors' Report thereon. On August 31st, 1969, your Company purchased from Lun-Echo Gold Mines Limited their 50% interest in WILLECHO MINES LIMITED in return for 500,000 shares of Willroy so that it now holds 100% interest in Willecho. Because Willecho is now a wholly-owned subsidiary of Willroy, the Balance Sheets and Financial Statements of the two companies have been consolidated.

The combined tonnage of ore milled, including development ore from Big Nama Creek, showed a decrease from 531,435 in 1968 to 502,921 in 1969. However, due to a higher average grade of ore treated, more copper, zinc, silver and gold were produced in 1969; only lead was lower. In addition, the higher prices received for metals resulted in a much greater combined dollar revenue of \$6,037,819 as compared to \$4,592,309 in 1968. The net aggregate cash flow from operations amounted to \$1,734,702 and the net earnings were \$582,279.

The mine staff are to be congratulated for their successful efforts to hold the line on costs by such innovations as greater mechanization of mining methods — including where applicable to trackless mining, the use of scooptrams (load-haul-dump equipment); the installation of closed circuit T.V. cameras in strategic places such as the crusher house, the hoist room, mill and elsewhere for observational control of operations and the introduction of many other cost-saving improvements.

Reference should be made to the Reports of the Mine Manager for an outline covering the Willroy, Willecho and Big Nama Creek operations. The Reports cover the many facets of the complex undertakings carried out under your Company's direction.

Ore reserves as of January 1st, 1970 show that these have been maintained after the milling of over half a million tons. Furthermore, ample potential for locating new ore on all three properties (Willroy, Willecho and Big Nama) exist and current exploration and development work has been geared to result in continuing to maintain such reserves.

The detailed exploration program carried out on the property of SLIMLAKE MINES LIMITED was not encouraging and has been discontinued for the present.

Your Directors take this opportunity to record their appreciation to Mr. J. I. Jarvis, Mine Manager, the Staff and all Employees for their loyal and efficient services.

Respectfully submitted,

On behalf of the Board,

JOHN C. L. ALLEN,
President.

February 20, 1970.

WILLROY MINES LIMITED

January 26, 1970.

Report of the Mine Manager

To the President and Board of Directors,
WILLROY MINES LIMITED.

Dear Sirs:

I submit herewith my report on the Company's operations at Manitouwadge for the year ended December 31, 1969.

PRODUCTION

The tonnage treated declined slightly from the previous year, the total tons milled being 502,921 tons for an average milling rate of 1,378 tons per calendar day. Of this amount, 318,149 tons or 63% were milled for the Willecho operation, while 57,472 tons, equivalent to just over 11%, were obtained from the preproduction development at Big Nama Creek. Once again the main No. 3 zone at Willroy produced the bulk of Willroy tonnage. The percentage of mill feed from all zones and other sources are shown on the following table:

<i>Ore Zone</i>	<i>Tons of Mill Feed</i>	<i>% of Mill Feed</i>
Willroy No. 1 Zone	1,300	0.3
3 Zone	112,829	22.4
6 Zone	12,417	2.5
7 Zone	754	0.1
Total Willroy	127,300	25.3
Willecho Mines Ltd.	318,149	63.3
*Big Nama Creek Mines Ltd.	57,472	11.4
	502,921	100.0%
*Preproduction and Development		

The grade of Willroy tonnage milled ran 0.91% copper, 2.38% zinc, 0.06% lead and 0.61 ounces of silver. Concentrate production totalled 141 cars made up of 68 cars of copper, 71 cars of zinc and 2 cars of lead. This yielded a gross value of \$2,109,463 and a Net Smelter Return of \$1,550,951 or \$12.18 per ton milled.

Contained metals, along with the returned values, are shown:

	<i>Metal Production</i>	<i>Net Smelter Return</i>
Zinc	5,209,884 pounds	\$ 328,226
Copper	2,132,613 pounds	1,119,887
Lead	94,904 pounds	6,833
Silver	51,077 ounces	86,320
Gold	245 ounces	9,685
		<u>\$1,550,951</u>

COSTS

Because of the nature and dispersement of the combined operations, comparison of separate unit costs for the Willroy Mine is misleading. Manpower and tonnage from Willroy, Willecho and Big Nama Creek are being scheduled to obtain the most efficient and advantageous long range objectives.

A comparison of operating costs for the years 1968 and 1969 are as follows:

	<i>Cost per ton Milled</i>	
	<i>1969</i>	<i>1968</i>
Exploration and Development	\$.45	\$.18
Mining	4.93	3.61
Milling	1.41	1.25
Administration and General	1.36	.81
	<u>\$ 8.15</u>	<u>\$ 5.85</u>

EXPLORATION AND DEVELOPMENT

The 16-1 West Slimlake heading (2600' level) was continued 289' in the quartz-sericite schist horizon. After reaching the initial objective located 3,973 feet to the northwest of the Willroy shaft, the drive was suspended to carry out an extensive drill program. Diamond drilling from this heading encountered areas of weak sphalerite and chalcopyrite mineralization but nothing of economic significance was intersected. Sixty-one feet of drift advance was carried out in the No. 7 zone to obtain additional information on the structure. Continuation of this zone was subsequently established up-plunge to the west but true widths were generally less than 4' and grade was marginal.

Thirty-six claims adjacent to the east extremity of the Noranda (Geco Division) property were staked during the latter part of December.

PRE-PRODUCTION DEVELOPMENT — BIG NAMA CREEK PROPERTY

This operation is being prepared to carry out mining operations with rubber tired, trackless equipment. During the year the —11° incline haulageway was turned 180° to the east to parallel the ore section down-slope. An advance of 825 feet was obtained on the incline and a sump installed at the bottom or approximately 275 vertical feet below surface. Two new sub levels were established at the 110' and 250' horizons and a ventilation raise was driven from the lower incline to connect with the surface ventilation system. Ore recovery from development and benching provided tonnage for obtaining additional information on milling and metallurgical procedures and compatability with Willroy and Willecho ores.

There was no exploration diamond drilling carried out during the year and therefore no increase to the ore reserves. As of December 31st the broken, proven and indicated reserves to the 300 foot depth were calculated at 395,567 tons grading 0.93% copper, 2.51% zinc, and 0.73 ozs. of silver.

Mill tests were continued with the 57,472 tons of pre-production and development muck. Revenue, amounting to \$13.07 per ton milled, was applied against advances from Willroy. The grade of ore treated averaged 0.88% copper, 3.92% zinc, 0.09% lead and 1.08 ozs. of silver.

ORE RESERVES

At December 31, 1969, the total broken, proven, and indicated reserves at the Willroy mine above the 2600' horizon stood at 266,578 tons. This figure is slightly higher than the 1968 tonnage and is

attributable to tonnage developed in the No. 3 North zone. The No. 1 and No. 6 copper zones reserve remains substantially unchanged pending a complete re-appraisal of the mining method to be used in this area.

There was no increase on the Big Nama Creek reserve which included all tonnage to a depth of 300'.

The distribution of all reserve tons from the Willroy mine, Willecho mine, and from the Big Nama Creek option which includes a dilution factor of 15% is tabulated below:

<i>Zone</i>	<i>Tonnage</i>	<i>% Cu</i>	<i>% Zn</i>	<i>Oz. Ag.</i>
1	77,611	1.65	0.16	0.38
3	104,143	1.30	3.66	0.56
6	48,029	2.36	1.26	0.84
7	36,795	0.40	4.95	1.39
Total and Average	266,578	1.47	2.39	0.67
Nama Creek Option	395,567	0.93	2.51	0.73
Willecho Mines Ltd.	1,047,362	0.51	3.85	1.44
GRAND TOTAL	1,709,507	0.76	3.31	1.16

MINING

Production from the Willroy shaft was reduced considerably because of salvage recovery and the limited mining locations. The No. 3 zone salvage work on the 8th and 9th levels and the 16-10 stope, which supplied most of Willroy's production, were completed during the latter part of the year. Development of the No. 1 and No. 6 copper zones was underway using a diesel powered rubber-tired ST-2A Scooptram. As a result of the continued rise in metal prices, a new stope was being developed on the No. 3 North zone (approximately 30 feet north of the No. 3 zone) between the 12th and 14th levels.

Underground work carried out in 1969 and to date is summarized below:

DEVELOPMENT

<i>Year</i>	<i>Shaft Sinking Feet</i>	<i>Drifts & X-Cuts Feet</i>	<i>Raises Feet</i>	<i>Other Excav. Tons</i>	<i>Diamond Drilling Surface Feet</i>	<i>U/G Feet</i>
1955-68	3,385	50,680	8,325	72,010	118,378	383,515
1969	—	398	—	195	—	28,718
	<u>3,385</u>	<u>51,078</u>	<u>8,325</u>	<u>72,205</u>	<u>118,378</u>	<u>412,233</u>

NOTE: The above totals include 289 feet of Slimlake development carried out through the Willroy 10 and 16 level exploration headings and 5,144 feet of exploratory diamond drilling.

STOPPING AND STOPE PREPARATION

<i>Year</i>	<i>Dr. & X-Cuts Feet</i>	<i>Sub Drifts Feet</i>	<i>Raises Feet</i>	<i>Other Excav. Tons</i>	<i>Stopping Tons</i>
1955-68	7,588	33,636	28,452	38,189	3,383,197
1969	406	2,803	1,441	2,439	85,775
	<u>7,994</u>	<u>36,439</u>	<u>29,893</u>	<u>40,628</u>	<u>3,468,972</u>

MILLING

Mill operations during 1969 were generally routine. Daily throughput declined slightly but mill heads, particularly zinc, showed some improvement.

Despite the many and varied laboratory studies undertaken by company personnel and the Mines Branch of the Department of Energy, Mines and Resources, there were no significant metallurgical gains on overall results. Improved recoveries in some metals were offset by declines in others. Experimental testing in the field of magnetic separation and the ammonia sulphur-dioxide process for improving concentrate grades are two projects now under investigation. Wide fluctuations in the mill feed which occur frequently throughout each shift and which adversely affect reagent ratios, were partially overcome late in the year by improved blending techniques.

Operating highlights were the removal and replacement of the main frame of the 5½ foot shorthead crusher which was carried out in record time, the 25% increase in fine ore bin capacity by relocating the No. 5 conveyor, and a re-organization of supervisory forces during the month of November. Experimental closed-circuit television monitoring of key control points in the crushing plant indicates potential benefits with regards to cost reduction and better operational control.

From July 22, 1957, to the end of the current year, 5,836,322 tons of ore have been processed in the concentrator having a gross value of \$99,660,374 and a Net Smelter Return of \$58,728,435. Of this total tonnage, 4,109,594 tons were mined through the Willroy shaft, 1,658,601 tons at Willecho and 68,127 tons from the Big Nama Creek property.

Comparative tabulation of the past two years is as follows:

1969

Average Daily Tonnage — 1,378 Tons					Mill Operating Time — 91.5%			
	ASSAYS				RECOVERIES			
	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>
Heads	1.63	.61	.19	3.61	100.0	100.0	100.0	100.0
Cu Con.	41.31	22.62	.66	7.33	51.0	81.0	7.8	4.4
Pb Con.	47.97	5.18	36.86	5.75	8.1	2.3	54.7	0.4
Zn Con.	1.44	.39	.23	53.30	4.9	3.5	6.9	81.5
Tailings64	.09	.06	.54	36.0	13.2	30.6	13.7
Payable Recoveries					59.1	83.3	54.7	81.5

1968

Average Daily Tonnage — 1,452 Tons					Mill Operating Time — 91.1%			
	ASSAYS				RECOVERIES			
	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>
Heads	1.67	.60	.24	3.03	100.0	100.0	100.0	100.0
Cu Con.	35.86	22.63	.75	6.65	46.1	81.4	6.6	4.7
Pb Con.	51.01	5.64	42.87	5.16	12.4	3.8	71.2	0.7
Zn Con.	1.60	.42	.21	53.54	4.4	3.2	3.9	81.3
Tailings67	.07	.05	.44	37.1	11.6	18.3	13.3
Payable Recoveries					58.5	85.2	71.2	81.3

CAPITAL EXPENDITURES

Major capital additions for all operations included the purchase of two additional ST-5A Wagner Scooptrams and a diesel powerwagon for underground use. A new replacement trackmobile was purchased for the mill department and a second atomic absorption spectrophotometer for the assay office.

Miscellaneous items included two closed-circuit television systems, mine dewatering pumps and 12 replacement rockdrills.

GENERAL

To offset ever increasing costs, the company has made substantial investments in Load-Haul-Dump machines for underground operations and utilized other labour saving devices for surface departments. Assaying costs this past year were the lowest on record due to the type of equipment and procedures now being used. Three 5-yard Scooptrams and one 2-yard Scooptram are presently operating in the underground workings at Willroy, Willecho and Big Nama Creek. Closed-circuit television installations are being utilized with considerable success in two locations and further expansion of this media is under consideration. These new techniques and equipment have made it possible to maintain a constant payroll cost during 1969 although employees received an average 7.3% increase on earnings for each hour worked.

An unlawful wildcat strike that occurred on May 14th was finally resolved after a six day disruption of operations. A number of qualified personnel terminated as a result of this incident but many had been rehired by the end of the year. Qualified miners and skilled tradesmen are still in short supply. Turnover for 1969 averaged 8.6 percent per month.

Effective October 6, 1969, a new 3-year Collective Agreement was signed with the United Steelworkers of America. The contract provided for an immediate 27¢ per hour across-the-board increase for all employees and a 19¢ per hour average increase on each of the succeeding years. Additional fringe benefits included higher shift premiums, longer vacations, one extra statutory holiday and a much improved welfare plan. Despite the misunderstanding earlier in the year, relations with employees and the Union continued to be good. To adjust to the recent Geco settlement, effective February 1st, 1970 a wage increase of an additional 15¢ per hour across-the-board was granted to all employees with an additional 5¢ per hour in each of the succeeding years.

In order to ensure that potential pollutants are controlled to Ontario Water Resources Commission limitations, mill tailings effluent flowing into the watershed is constantly sampled and assayed for metal content, acidity, suspended solids, and other toxic or harmful chemicals. Results of tests which are forwarded to the district office of the Ontario Water Resources Commission and municipal authorities, have all been well within permitted limits.

The average number of people employed on Willroy operations throughout the year was the lowest on record since 1962. The average work force of 249 Willroy employees plus 31 contractors (including caterers, diamond drillers, security services, etc.) were required for the efficient conduct of operations. Security services were absorbed by the company just prior to the year end vacation.

The Willroy Mine Rescue Crew, for the third successive year, captured the Thunder Bay District Mine Rescue Championship and placed second in the Provincial run-off among district finalists. A decrease in the waiting period for compensable accident claims resulted in an increase in the frequency over the previous year. Of the 20 compensation claims reported, there were no injuries resulting in permanent disability.

On September 1, the company sold 52 out of a total of 86 houses in Manitouwadge to employees under Agreements of Sale with a 5, 6, or 7 year option. Sale prices were substantially discounted and

terms included provision for the company to buy back the dwellings on a first refusal basis in the event that the employee leaves the service of the company.

Expenditures during the year for all operations included \$2,000,000 in wages and salaries, \$1,200,000 for supplies, \$2,000,000 for smelter charges, \$183,000 for U.S. duty on zinc shipments, and \$456,000 for freight charges on all concentrate shipments.

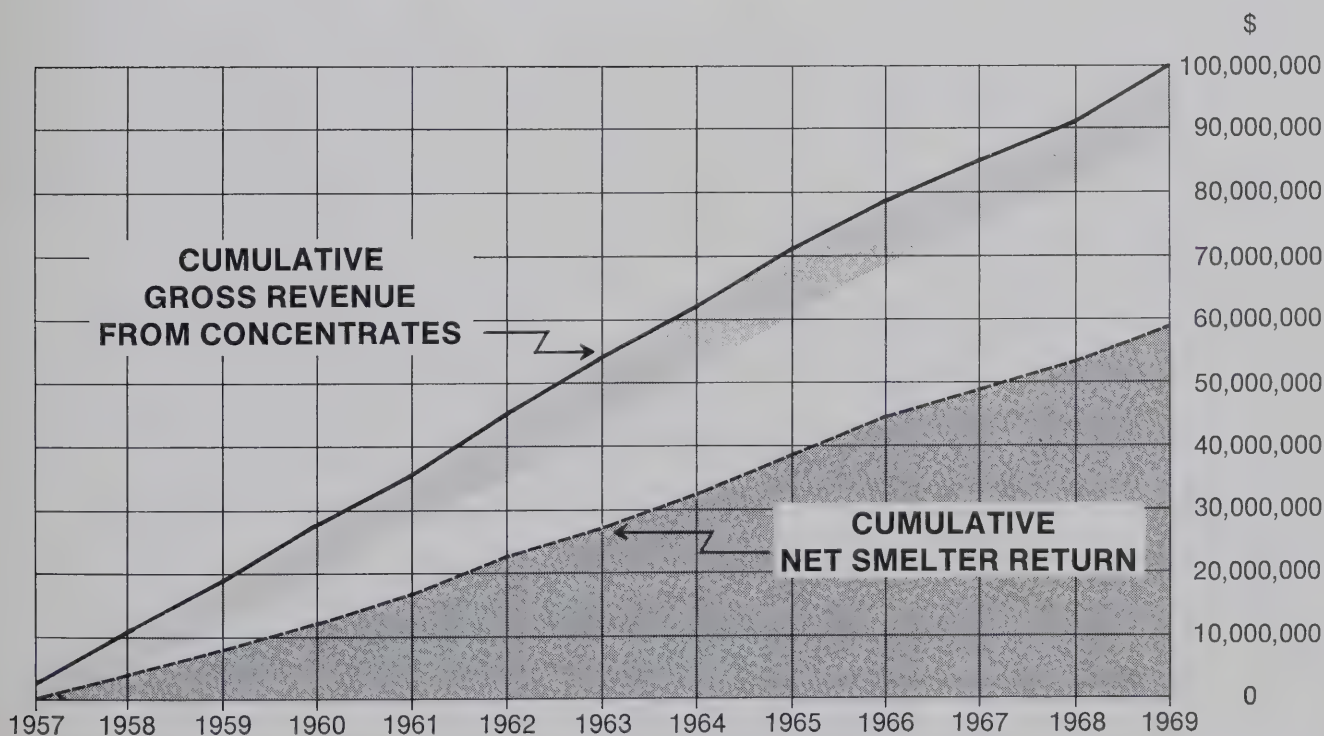
Copper concentrates were again shipped to the Noranda smelter at Noranda, P.Q. Zinc concentrates proceed by C.P.R. rail to Port Maitland for roasting after which the calcine product is trans-shipped to American smelters usually at LaSalle, Illinois or Meadowbrook, West Virginia. Lead concentrates were processed at the Asarco smelter at East Helena, Montana.

It is my pleasure to express appreciation for the competence, resourcefulness and co-operative services of the Department Heads, staff, and all employees who worked so diligently to contribute to the success of Willroy operations. To Mr. H. Rutetzki, the Assistant Manager, I extend special thanks for his loyalty and leadership. The support and direction of the President and Board is gratefully acknowledged.

Respectfully submitted,

J. I. JARVIS,
Mine Manager.

WILLROY — WILLECHO — BIG NAMA CREEK



Consolidated Balance Sheet

ASSETS		1969	1968
CURRENT ASSETS:		\$	\$
Cash and short-term deposits		621,999	208,290
Settlements receivable and concentrates in transit — at estimated realizable value		1,799,987	1,261,099
Accounts receivable		40,222	18,237
Due from associated company		—	56,734
Marketable securities — at cost less allowance for decline in market values (1969 — \$60,000)		455,508	—
Prepaid expenses		38,421	36,296
Materials and supplies — at cost		384,418	331,937
		<u>3,340,555</u>	<u>1,912,593</u>
5% SPECIAL REFUNDABLE TAX		<u>30,195</u>	<u>5,521</u>
INVESTMENTS AND ADVANCES:			
Shares and debentures of associated companies (notes 1, 2 and 3)		578,786	1,432,649
7¼% mortgage receivable		—	409,583
Advances to associated and other companies		283,324	2,054,182
		<u>862,110</u>	<u>3,896,414</u>
FIXED ASSETS — at cost:			
Buildings, plant and equipment		10,446,250	7,600,729
Accumulated depreciation		8,653,227	7,190,735
		<u>1,793,023</u>	<u>409,994</u>
Mining properties		277,424	175,264
		<u>2,070,447</u>	<u>585,258</u>
OTHER ASSETS AND DEFERRED EXPENDITURE:			
Preproduction and development expenditure — at cost less amounts written off		1,350,905	205,044
Railway spur line — at cost less amounts recovered		10,807	27,407
Incorporation expense		4,985	—
		<u>1,366,697</u>	<u>232,451</u>
		<u>7,670,004</u>	<u>6,632,237</u>

AUDITORS' REPORT

We have examined the consolidated balance sheet of Willroy Mines Limited and its subsidiary as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, February 3, 1970.

IES LIMITED

COMPANY

as at December 31, 1969

LIABILITIES

	1969 \$	1968 \$
CURRENT LIABILITIES:		
Bank overdraft	31,217	—
Accounts payable and accrued liabilities	368,345	365,919
Provision for mining taxes	117,231	8,000
Settlements payable	—	250,176
Payments received on purchase of dwellings under agreements of sale (Note 4)	51,193	—
	<u>567,986</u>	<u>624,095</u>
LONG-TERM DEBT:		
Mortgage loans on employees' residences	—	178,241

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 1):		
Authorized — 6,000,000 shares without par value		
Issued and fully paid — 4,786,244 shares (1968 — 4,280,244 shares)	3,474,865	2,785,027
RETAINED EARNINGS	3,627,153	3,044,874
	<u>7,102,018</u>	<u>5,829,901</u>

Signed on behalf of the Board:

J. C. L. ALLEN, Director.

R. C. STANLEY, Jr., Director.

<u>7,670,004</u>	<u>6,632,237</u>
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THE SHAREHOLDERS

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

WILLROY MINES LIMITED

AND SUBSIDIARY COMPANY

Consolidated Statement of Earnings

For the Year Ended December 31, 1969

	1969 \$	1968 \$
REVENUE:		
Base metal operations	7,494,910	2,039,327
Custom milling operations	24,414	143,549
	<hr/> 7,519,324	<hr/> 2,182,876
Less: Marketing, smelting and refining charges	2,317,836	601,993
	<hr/> 5,201,488	<hr/> 1,580,883
EXPENDITURE:		
Development	139,434	31,359
Mining	1,949,388	629,047
Milling	629,650	216,366
Mine office administration and general	575,927	145,804
	<hr/> 3,294,399	<hr/> 1,022,576
EARNINGS BEFORE THE FOLLOWING	<hr/> 1,907,089	<hr/> 558,307
Deduct:		
Head office administration and general	133,825	93,699
Interest — net	(18,831)	(9,453)
Depreciation	463,195	188,831
Deferred development expenditures written off	383,860	174,336
Mining taxes	118,504	5,148
	<hr/> 1,080,553	<hr/> 452,561
	826,536	105,746
Add:		
Other revenue	79,942	30,660
	<hr/> 906,478	<hr/> 136,406
PORTION OF LOSS OF WILLECHO MINES LIMITED ATTRIBUTABLE TO WILLROY MINES LIMITED FOR THE YEAR (note 2)	<hr/> —	<hr/> 70,904
EARNINGS BEFORE EXTRAORDINARY ITEMS	<hr/> 906,478	<hr/> 65,502
EXTRAORDINARY ITEMS:		
Materials and supplies written off	53,000	—
Allowance for decline in value of marketable securities	60,000	—
Provision for loss on shares of an associated company (note 3)	211,199	—
Gain on sale of investments (note 2)	—	28,337
	<hr/> 324,199	<hr/> (28,337)
NET EARNINGS FOR THE YEAR	<hr/> 582,279	<hr/> 93,839

WILLROY MINES LIMITED

AND SUBSIDIARY COMPANY

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1969

	1969 \$	1968 \$
RETAINED EARNINGS — BEGINNING OF YEAR:		
As previously reported	2,459,836	2,295,093
Adjustment —		
Increase in equity of Willecho Mines Limited attributable to Willroy Mines Limited from date of incorporation to December 31, 1967 (note 2)	585,038	655,942
As restated	3,044,874	2,951,035
NET EARNINGS FOR THE YEAR	582,279	93,839
RETAINED EARNINGS — END OF YEAR	3,627,153	3,044,874

Consolidated Statement of Source and Use of Funds

For the Year Ended December 31, 1969

	1969 \$	1968 \$
SOURCE OF FUNDS		
Net earnings for the year	582,279	93,839
Charges not requiring cash outlay —		
Depreciation	463,195	188,831
Deferred development expenditures written off	383,860	174,336
Portion of loss of Willecho Mines Limited attributable to Willroy Mines Limited	—	70,904
Provision for loss on shares of an associated company	211,199	—
	1,058,254	434,071
	1,640,533	527,910
Proceeds of issue of shares	4,800	800
Proceeds of sale of fixed assets	29,094	—
Recovery on railway spur line	16,600	14,450
5% special refundable tax	14,415	13,717
Repayment of advances — net	213,433	—
Repayment of mortgages by Willecho Mines Limited	—	10,000
Working capital acquired on consolidation	220,123	—
	2,138,998	566,877
USE OF FUNDS		
Development expenditure	165,381	16,903
Repayment of mortgage loans on employees' residences	178,241	9,384
Investment in shares of associated companies	42,374	166,979
Additions to fixed assets	268,931	88,688
Increase in advances — net	—	403,816
	654,927	685,770
INCREASE (DECREASE) IN WORKING CAPITAL	1,484,071	(118,893)
WORKING CAPITAL — BEGINNING OF YEAR	1,288,498	1,407,391
WORKING CAPITAL — END OF YEAR	2,772,569	1,288,498

WILLROY MINES LIMITED

AND SUBSIDIARY COMPANY

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1969

1. CAPITAL STOCK

During the year the company:

- (a) applied for the issue of supplementary letters patent decreasing the issued capital of the company by cancelling the discount of \$1,495,017 on issued shares without par value of the company.
- (b) issued under the terms of an agreement dated April 10, 1969 500,000 shares of capital stock to Lun-Echo Gold Mines Limited in consideration for 1,500,000 shares of Willecho Mines Limited. The value attributed to the 500,000 shares of Willroy is approximately \$1.37 per share and is based on the net equity value of the Willecho shares received in consideration therefor. As a result of this transaction Willecho Mines Limited became a wholly-owned subsidiary of Willroy Mines Limited.

In addition to the 500,000 shares issued above, 6,000 shares were issued under an employees' stock option plan for a cash consideration of \$4,800 and 23,000 shares formerly under option were cancelled on termination of employment. At December 31, 1969, there were outstanding options to employees to purchase 50,000 shares at \$.80 per share expiring on November 17, 1972.

2. COMPARATIVE FIGURES

The comparative figures for 1968 are on an unconsolidated basis because, as stated in note 1, Willecho Mines Limited was not a subsidiary company during that year.

Prior to 1969, the investment in Willecho Mines Limited was carried at cost. The comparative statements for 1968 have been restated to give effect to the following changes:

- (i) The increase in the carrying value of the investment in Willecho Mines Limited by an amount equal to the accumulated profits less losses of that company attributable to the holdings of Willroy Mines Limited and the corresponding adjustment of earnings and retained earnings resulting therefrom.
- (ii) The reclassification of the gain on sale of investments in 1968 as an extraordinary item.

3. INVESTMENTS AND ADVANCES

Subsequent to December 31, 1969 the company sold its investment in shares of Lun-Echo Gold Mines Limited. The loss incurred of \$211,199 has been provided for in these financial statements. The remaining shares and debentures of associated companies are carried at cost subject to the adjustment in the 1968 comparative figures described in note 2(i).

4. AGREEMENTS OF SALE

During the year the company contracted to sell some of its houses in the Manitouwadge area to employees. Under the terms of the agreements of sale, title passes to the purchaser only after the company receives full payment.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The remuneration of directors and senior officers as defined by the Corporations Act was as follows:

	\$
Directors' and officers' remuneration	17,000
Salaries of mine personnel	79,845
	<hr/>
	96,845
	<hr/>

WILLECHO MINES LIMITED

February 1, 1970.

Report of the Mine Manager

The President and Board of Directors,
WILLECHO MINES LIMITED.

Dear Sirs:

The following is a report on the operations of Willecho Mines Limited at Manitouwadge for the year 1969.

PRODUCTION

The total ore mined and delivered to the Willroy concentrator for processing amounted to 318,149 tons grading 0.44% copper, 4.06% zinc, 0.26% lead and 2.13 ozs. of silver. The zinc grade improved and the grades for copper, lead and silver remained about the same as last year. The upper part of the mine (above the 1000' level) provided approximately 60% of the mill feed while the new and lower section below this horizon, which is serviced by the conveyor system and trackless equipment, provided the remainder.

The ore delivered to and treated at the Willroy mill produced concentrates with the following metal content:

	<i>Metal Production</i>	<i>Net Smelter Return</i>
Zinc	22,070,428 pounds	\$1,351,265
Copper	2,562,313 pounds	1,291,406
Lead	1,159,102 pounds	83,455
Silver	443,858 ounces	750,120
Gold	623 ounces	24,627

These concentrates, with a gross value of \$5,260,196 produced a Net Smelter Return of \$3,500,873 or \$11.00 per ton of ore milled.

Overall unit operating costs were higher than 1968 due to higher cost mining from the lower section of the mine and more complex ore handling methods. Operating costs compare as follows:

	<i>1969</i>	<i>1968</i>
Development	\$.26	\$.34
Mining	4.15	3.79
Milling	1.84	1.66
Administration and General	1.26	1.10
	<u>\$ 7.51</u>	<u>\$ 6.89</u>

DEVELOPMENT AND MINING

Stope production of approximately 27,000 tons per month was obtained from the 'D' zone above the 1000' level and the 'B' and 'D' zones below this horizon. The average ore thickness of 15' is being mined by 'room and pillar' mining methods with considerable success. At year end, the section of the mine below the 1000 foot level, with the use of the conveyor system, was supplying 40% of the mine production.

Development work was mainly on the lower levels to prepare for stoping operations. At mid-year, an 8' x 15', —14° incline was collared at the 1350 level and driven by means of a 5-yard scooptram in a north easterly direction below the downward projection of the 'D' zone. Total recorded advance on this roadway at the end of December was 1,025 feet. At the 1550 foot level, 138 feet of drift were driven to the southeast from this new roadway. Sectional drilling from drilling stations along this incline are proving up additional reserves of above-average grade.

Development advances and other excavations for the year are tabulated below:

DEVELOPMENT

<i>Year</i>	<i>Shaft Sinking Feet</i>	<i>Drifts & X-Cuts Feet</i>	<i>Raises Feet</i>	<i>Incline Dev. Feet</i>	<i>Other Excav. Tons</i>	<i>Diamond Drilling Surface Feet</i>	<i>U/G Feet</i>
1963-68	1,361	15,383	2,968	2,204	30,183	82,957	191,961
1969	—	1,456	—	1,162	2,492	—	36,666
Total	<u>1,361</u>	<u>16,839</u>	<u>2,968</u>	<u>3,366</u>	<u>32,675</u>	<u>82,957</u>	<u>228,627</u>

STOPE PREPARATION AND STOPING

<i>Year</i>	<i>Dr. & X-Cuts Feet</i>	<i>Sub Drifts Feet</i>	<i>Raises Feet</i>	<i>Other Excav. Tons</i>	<i>Stoping Tons</i>
1963-68	84	4,420	26,964	29,038	1,156,552
1969	441	249	6,082	6,564	278,297
Total	<u>525</u>	<u>4,669</u>	<u>33,046</u>	<u>35,602</u>	<u>1,434,849</u>

ORE RESERVES

At the end of December 1969, the total broken, proven, and indicated reserves calculated with a 15% dilution factor were 1,047,362 tons grading 0.51% copper, 3.85% zinc, and 1.44 ozs. of silver of which approximately 50% is located in the upper part of the mine. Preliminary drill results from the incline below the bottom mining level (1350') which are included in the reserves amounted to 145,000 tons with a grade of 0.86% copper, 2.56% zinc, and 0.86 ozs. of silver.

CAPITAL EXPENDITURES AND GENERAL

All major equipment requirements were purchased by Willroy. Sixteen replacement rockdrills, a Mather and Platt pump and a closed-circuit television system to monitor the skip dump, account for all Willecho expenditures of any significance.

Willroy continues to supply labour, supervision, and administration for the Willecho mine and at the end of the year the number of men employed full time on this operation was 78 underground personnel. The Engineering and Geological offices were closed in the fall and the staff of these sub departments transferred back to the main office at Willroy. This move has been well received by all concerned and has proved to be more efficient. Considerable savings have also been realized by the discontinuance of the office heating system.

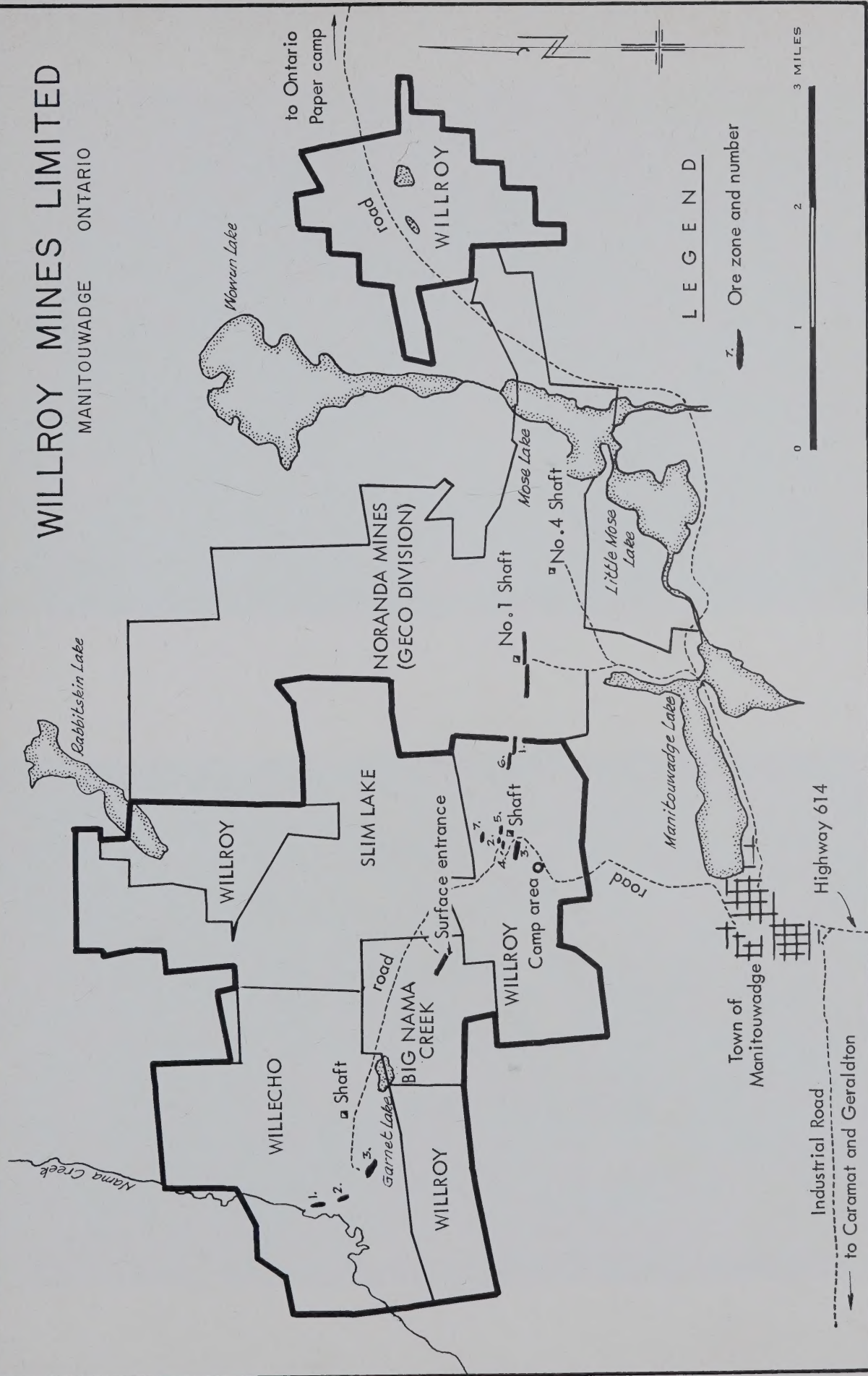
To the Mine Superintendent, the staff and employees who have participated in the success of this mine as a part of the Willroy operation, I acknowledge their problems and efforts with deep appreciation and thanks.

Respectfully submitted,

J. I. JARVIS,
Mine Manager.

WILLROY MINES LIMITED

MANITOUWADGE ONTARIO





Assayer operating one of two Varian Techtron AA5 Atomic Absorption Spectroscopes which are now used almost exclusively in the assay office to replace previous fire and wet assay methods.



Wagner Model ST-5A diesel powered Scooptram, emerging from the Big Nama Creek entranceway with a seven ton payload of sulphide ore.



View of WILLROY
headframe, hoist room,
main office, shops and
water tower.



View of WILLECHO
headframe, ore bin,
hoist room, service and
dry facilities and
office.